
Introduced by Senator Liu

December 1, 2014

An act to add Section 17052.1 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 38, as introduced, Liu. Personal income tax: credit: earned income.

The Personal Income Tax Law allows various credits against the taxes imposed by that law, including certain credits that are allowed in modified conformity to credits allowed by federal income tax laws.

This bill would, for taxable years beginning on or after January 1, 2016, and before January 1, 2027, allow a credit based upon earned income that is equal to 15% of the earned income tax credit allowed by federal law. The bill would require the Franchise Tax Board to report to the Legislature regarding the utilization of the tax credit, as provided.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 17052.1 is added to the Revenue and
- 2 Taxation Code, to read:
- 3 17052.1. (a) For each taxable year beginning on or after
- 4 January 1, 2016, and before January 1, 2027, there shall be allowed
- 5 a credit against the "net tax," as defined by Section 17039, an
- 6 amount computed by multiplying the "federal earned income credit
- 7 amount," as defined in subdivision (b), by 15 percent.

(b) For purposes of this section, “federal earned income credit amount” means the amount determined under Section 32 of the Internal Revenue Code, as amended by Section 1002(a) of Public Law 111-5, as amended by Section 219(a)(2) of Public Law 111-226, as amended by Section 103(c) of Public Law 111-312, and as amended by Section 103(c) of Public Law 112-240.

(c) (1) Notwithstanding Section 10231.5 of the Government Code, on or before January 1, 2026, the Franchise Tax Board shall submit a report on the utilization of the credit described in subdivision (a) to the Legislature. The report shall include information regarding the effectiveness of the credit, including the amount of the credit claimed, the number of claims made, and an estimate of the amount overclaimed and underclaimed.

(2) The report submitted pursuant to this subdivision shall be submitted in compliance with Section 9795 of the Government Code.

SEC. 2. This act provides for a tax levy within the meaning of Article IV of the Constitution and shall go into immediate effect.